

**United States Trade Representative Robert B. Zoellick**  
**Press Conference to Announce U.S. Proposals for Free Trade Area of the Americas**  
**Office of the U.S. Trade Representative**  
**Washington, DC**  
**Tuesday, February 11, 2003**

President Bush has spoken to leaders throughout Latin America and the Caribbean about his vision of strengthening the U.S. relationship with “the neighborhood” to meet the new challenges of this era. Today, we are taking a big step toward fulfilling the Presidential promise by making concrete offers to expand free trade throughout the hemisphere under the Free Trade Area of the Americas, or ALCA.

As President Bush said at the Third Summit of the Americas, “We have a great vision before us: a fully democratic hemisphere, bound together by good will and free trade.” We know that this is an anxious time for many Latin Americans concerned about slow economic growth and political uncertainties. These anxieties have been compounded by a concern: Given the United States’ focus on combating terrorism, might we be distracted from the challenges of the Western Hemisphere?

The offers we are making today to deepen economic integration and support democracies through the FTAA should send a clear signal to our neighbors: The United States has serious responsibilities around the world, but it is committed to the cause of building a free, democratic, and prosperous Americas. And make no mistake: the FTAA, the ALCA is an ambitious project. We are seeking to create a free market of nearly 800 million people and \$13 trillion in combined economic output. To turn that dream into reality, the Bush Administration is advancing aggressive, comprehensive proposals to reduce tariffs and lower trade barriers in five areas: goods; agriculture; services; investment; and government procurement. We are putting all our tariffs on the table-and we are ready to move forward with others who are willing to do the same.

Under our proposals, U.S. farmers and businesses will have improved access to markets in Latin America and the Caribbean - a large region with tremendous commercial promise. Over the past decade, U.S. exports to Latin America and the Caribbean have grown 137 percent compared to about 99 percent to countries outside the hemisphere. For our trading partners, the United States is often the single largest market for their exports, providing an essential engine of growth that can raise living standards and support the institutions of liberty and democracy. The United States buys 31 percent of everything Latin America exports-and that doesn’t include Mexico, where U.S. customers buy 85 percent of everything shipped abroad. So by sweeping away trade barriers, the ALCA will push these figures even higher, to our mutual benefit.

And we should remember that many of the greatest gains for Latin America and the Caribbean are found on the import side of the equation. Whereas U.S. tariffs average just 2 percent to 3 percent on Latin exports to the United States, consumers throughout the hemisphere typically pay much higher tariffs - at least 10 percent to 15 percent or more on the consumer and industrial products they buy from U.S. producers. Our FTAA offers would harmonize these harmful tariffs downward, on a path to zero. The result would be expanded growth, better value and choice for consumers, and greater opportunity throughout the hemisphere.

According to a 2001 University of Michigan study, the approximate income gain from the ALCA for the average American family of four would be over \$800 a year, and that doesn't even count the savings from lower tariffs or taxes on the goods that people will buy. Gains for Latins will be of a similar magnitude. In addition to economic advances, the ALCA will bolster the hemisphere's commitment to democracy. The rules we are negotiating will help spread and institutionalize the concepts of the rule of law, due process, and transparent, accountable governance.

Now here are the key details of our FTAA offers for goods, agriculture, services, investment, and government procurement: First, for trade in goods, the United States is proposing to eliminate all tariffs by 2015. For textiles and apparel, an important export for many Latin countries, we will be even bolder: we propose moving to zero tariff taxes on imports in just five years if others do the same. To jump start open markets, the United States will go even further: we will offer immediate, reciprocal elimination of tariffs in sectors such as chemicals, construction and mining, environmental products, steel, and medical equipment. Overall, 65 percent of goods exports from non-NAFTA countries would enter the United States duty free on the first day we enact the FTAA, under the U.S. offer. We recognize the reality that different nations have unique needs and circumstances that require special and differential treatment. The U.S. offers address the needs of the smallest, poorest economies in the hemisphere by opening markets faster for those countries.

The Caribbean members of CARICOM, for example, would realize immediately duty-free status for 91 percent of their exports to the United States. For Central America, the figure would be 69 percent; for the Andean countries, 61 percent; and, for Mercosur, 58 percent. That's the first day. These customized timetables for liberalization reflect the size and development of various regions, and give greatest benefits to countries that need it the most.

Ultimately, our goal is to gain access for American goods to FTAA markets as well. We hope that our offer will encourage reciprocity from our trading partners in the Hemisphere, because while U.S. goods tariffs average about 2 or 3%, consumer and industrial tariffs in other countries in the region are significantly higher, often 10-15% or more. A reciprocal agreement on consumer and industrial goods would level the playing field for American exporters.

Second, the United States is proposing a comprehensive agriculture negotiation. We will not exclude any product. We will also seek to eliminate non-tariff barriers, reduce unnecessary burdensome regulations, and increase transparency in food safety and customs procedures. Now to do so we are offering four timelines for liberalization: immediate; up to five years; up to ten years; and beyond ten years. Under this plan, we estimate that about 56 percent of agricultural trade with Latin America and the Caribbean would receive immediate duty-free status. Most of the remaining trade barriers would be phased out over the next decade. Like our offer for trade in goods, the U.S. agricultural proposal accommodates the competitive circumstances and different levels of development of our ALCA partners. The CARICOM countries, for example, would gain about 85 percent duty-free agricultural trade with the United States immediately.

From potato growers to wheat farmers to cattle ranchers, American agricultural producers have much to gain from an F-T-A-A. Our bold agriculture offer is designed to spur similarly bold offers of reform from others in the Hemisphere. By putting all our own goods on the table for negotiation, we are trying to signal to our trading partners our expectation that they will offer significant market access to America's farm products. We hope that these ALCA proposals will spur increased competition and cooperation in the WTO as well on important global issues such as eliminating agricultural export subsidies and making a very substantial reduction in trade-distorting domestic farm supports.

Third, in the services area, we are seeking to build upon the proposals that the United States submitted in the WTO to broaden opportunities for growth and development in a sector that is just starting taking off in the international economy. The United States is by far the world's leading exporter of services. Services represent about two-thirds of the U.S. economy and 80 percent of our employment, yet they account for only about 20 percent of world trade. Liberalization would open up new avenues for prosperity, benefiting both the United States and our ALCA partners. The World Bank has pointed out that if we can eliminate services barriers globally among developing countries alone would yield them a \$900 billion, that's "b" as in boy, billion-dollar gain. We can expect to see similar benefits from services liberalization throughout the Americas.

The United States is taking what is called a "negative list" approach to services liberalization, and that simply means that all sectors should be open for business unless they are specifically excluded. This is the same presumption for openness that we successfully employed in our FTA negotiations with Chile and Singapore.

Fourth, the United States is proposing that foreign investors should receive the same protection as their domestic counterparts. Not greater substantive rights than is available to U.S. investors under U.S. law, but equivalent protection. These investment rules certainly would serve the self-interest of Latin countries seeking and competing for capital to start business and create jobs. The U.S. market for services and investment are fairly open. Our broad and far-ranging proposal, especially the use of the “negative list” approach, sends a message to the Hemisphere that we also believe we should see similarly broad opening of their services and investment markets to enhance opportunities for American business.

Finally, the United States is offering, and seeking from our FTAA partners, strong and substantive procedural commitments that ensure transparency and effective access to government procurement. We are presenting two government procurement offers: a basic offer and an enhanced offer for certain countries. The basic offer, would give similar to treatment currently enjoyed by our NAFTA partners, and would give businesses based in FTAA countries the non-discriminatory right to compete for contracts for the goods and services purchased by 51 U.S. federal government agencies. The enhanced offer - to Chile and CARICOM nations - would expand that coverage to some 79 U.S. federal agencies. The offers apply to all the goods, services, and construction services purchased by the federal government agencies, with only limited reservations, and again, the use of this so-called “negative list” is the most effective way to ensure broad market access.

Over the past two years, some Latin leaders have asked whether the United States is really going to open U.S. markets to fulfill the promise of the FTAA. As the leading economy in the hemisphere, we accept the challenge to set the pace for cutting barriers. These opening offers demonstrate our good will and determination to take action, not just make promises. We urge others to rise to the challenge as well, because Latin America needs exports to drive growth. It needs imports to improve living standards and competitiveness. It needs services to ensure that Latin economies can compete in the 21<sup>st</sup> century. It needs investment to create jobs, and it needs transparency in government procurement to fight corruption and overcome oligarchies.

Our comprehensive offers should serve as a strong starting point for negotiations; we now will look to our FTAA partners to match them with their own equally ambitious proposals.

I look forward to doing the hard work with my colleagues from Latin America and the Caribbean to make the FTAA a reality -and also with Members of Congress, the business community, multilateral institutions, and other interested organizations. All of us know our work over coming months will not be easy. But all grand goals require us to stretch beyond the reach of everyday circumstances. Freedom is the promise of this hemisphere. Openness - to new ideas, different cultures, and to peaceful commerce - must be the shared foundation on which we can build a future of hope, opportunity, and prosperity for all the people of the Americas.

Together we can create a model for the world of free people pursuing life, liberty, and happiness-with open opportunity tolerance and respect for differences, and as the promotion of the values that unite us.

Thank you. I'd be happy to take your questions.

Q: I'm Sally Shelly with Feedstuff...and explain to us what your concessions are on Brazilian sugar over what period of time.

Ambassador: Well, this is the initial opening phase. So, the key point in agriculture, which I'm sure will be watched closely throughout the region is, that everything is on the table including the subject that you mentioned, and what we tried to do, as I mentioned is, this is an opening offer. We said that the items that will act immediately that we tried to include as many of those as possible of goods and agriculture (65 percent for goods, 56 in agriculture), and then the others will be negotiated, and sugar will certainly be in the most sensitive category, but it's a topic for negotiation.

Q: Paolo Sotero for D'Estado Sao Paulo... You mentioned about four categories, four different speeds, could you give us some examples of the slower speeds?

Ambassador: You know, I don't have all the details with me, but my expectation would be sensitive crops that you would expect and so I suspect that would include sugar and some orange citrus as well, but the key point is they are on the table to be negotiated.

Q: I wanted to know, how was your meeting with the Colombian Trade Minister? How close are the U.S. government and the Colombian government for an FTA, and what are the details of that agreement?

Ambassador: Well, I had an excellent meeting with Mr. Gregaro. I have great respect for him, and I started out the meeting by conveying the deep sympathies that we all have for the events over the weekend, which were shattering for all of us to see and to see on the television. I know how hard they hit the people of Colombia, so I wanted to emphasize to them, and to you, and to the people of Colombia the sympathy that we share. As you probably know, I've been to Colombia a couple times. I was there for the inauguration, and so I always emphasize with my Colombian colleagues my respect for their courage, and not only dealing with difficult issues, but doing so under an aura of violence.

We talked about implementation of the Andean Trade Preferences Act, which was a big move, as you know, to try to not only extend it but expand to some 6400 tariff lines, and I talked about some areas, particularly the fishing and tuna area where I thought we could interpret things a way to help both Ecuador - because I met President Muteraz of Ecuador as well as Minister Buterias - but we also talked about

some of the follow-up steps that have to be taken within Colombia under those criteria. We talked about the ALCA negotiations and the importance of working together on that. We talked about the WTO. Now, on the bilateral subject, what the minister gave me was a statement that was by four of the Andean leaders about the prospect of building on the ATPA to a free trade agreement. I emphasized that while we're sympathetic to discussing this topic with a number of our Latin colleagues, that we're trying to put our focus right now on the ALCA. We, as you probably know, we concluded a Chile Agreement. We will bring that back to the Congress, then Central America, but I also said that the work we would do in implementing the Andean Trade Preferences Act and in moving the ALCA forward would be the same baseline work that we would need to do for free trade agreements with any of the Andean countries. So right now we are stressing the ALCA process, but we keep an open mind about other possibilities and, frankly, the homework that we do here, would be homework that could be applied to another test as well.

Q: One of the services you list on the US-FTAA offer on services...does this require changes in U.S. immigration law?

Ambassador: None of the things that we've done here require changes in immigration law. This is a question that comes up more in the Chilean than the Singapore Agreement. To try to promote the services trade, and there's an increasing number, if you think about the fact that 80 percent of Americans are employed in the services industry. There's actually a large business to be gained abroad, and so we tried to facilitate under the current rules of immigration laws, the movement of individuals whether it be mutual company transfers, or contract arrangements, and other aspects, and that's done in the movement of people. It might be a natural outflow of the construction services, but the construction services is really focused on a different need, which is that, for all of you who have spent time in Latin America, you can see that very often there's an added cost because of problems of infrastructure. So when I was in Brazil, people would ...the Brazil tax. Well, there are lots of things that go in to the Brazil tax, but it's the added cost of business in part through infrastructure. So, if you have more competitive services for construction, whether it is reports or railways or highways, and others, you're going to, frankly, increase productivity in the economy and make it more competitive, so it's a good example of where creative services can be win-win towards the overall competitiveness of an economy including the goods trade.

Q: Ambassador, Blair Pethel, Bloomberg, for the moment. Could you connect the dots, please, between the offer on agriculture that you made here and the demands of the Brazilians and other large agricultural exports and the negotiations that are going on in Geneva? How are these things going to fit together to get the outcome that you want?

Ambassador: Well, tomorrow, if I get the dental work done that arose overnight, I'm heading out to Tokyo, and thankfully, the items were Brazil, the United States and other countries that are major agriculture producers will be focusing as much

attention that we can is the need to follow through on the commitments at Doha to eliminate export subsidies, get substantial reductions in domestic support, and substantial cuts in tariffs as well, and as we've explained throughout the hemisphere, our challenge in cutting subsidies is being able to do it with those who have larger subsidies, in this case, the European Union and Japan. So there's a real commonality of interest. There's an overlap here between the ALCA process and the WTO process because I think many countries, I'll let them speak for themselves, respect the fact that we came with a very bold proposal, to cut about a hundred billion dollars out of domestic support, eliminate export subsidies, cuts tariffs as well, but obviously we're not going to be able to do that unless we get the Europeans and Japanese to go along, and as Commissioner Fischler was courageous enough to say, when he came over with the CAP reform proposal, the current European offer is an offer that reflects the current CAP program, and frankly it uses a lot of average numbers that doesn't really make substantial openings. For the European Union to move further, there has to be further steps in CAP reform, and he's made some proposals to de-link some of their payments from production to try to do that, and that will be a challenge ahead for the Europeans. So in this context, later this week, I expect to be working, arm in arm, with our Chilean friends who will be there, our Brazilians friends will be there, Mexican friends and others, the minister from Costa Rica, to try to reduce the overall subsidies issue. One other point, we, in our Chile Agreement we even went so far as to say that we would agree not to use export subsidies, which, at this point, we rarely use anyway, if the countries agree not to accept it from others, so we agree in that context willing to say you don't accept them for the European Union or others, we promise we won't either.

Q: Neil King, Wall Street Journal: Just to get a sense of the base line, to gauge the drama in all this, is it possible to get a sense of what percentage essentially comes in now duty-free from this region, and what, if you say 65%, and that eliminates an average of 2%? I'd also be just interested to know, the word reciprocal is in here a few times. How much of this is a unilateral offer and where the reciprocal...?

(Last question.)

Ambassador: Well, let me start with the last question because it's an important point.

This is a negotiation, and so all this has to be part of a deal, this is an offer, and one of the reasons that, frankly, we wanted to come out and be aggressive today was we want to send a signal to others in the hemisphere that some of the questions people have raised like "will everything be on the table?" We're answering them, "yes", in goods as well as agriculture, and we're trying to put some areas in there that will probably surprise some people a bit where we think there's some particular advantages so, as for example in the textile and apparel area, you know we're offering to eliminate all those barriers within five years but reciprocal. And this goes to one of the points we hear from our apparel industries, which is, given all the changes they've gone through, they're willing to compete if it's a level playing field. But I would think this would be very attractive for many of the countries in Latin America that are active apparel producers, and so we're just saying let's just equalize the playing field

and move ahead very quickly. Now there's another reason why this could be attractive and that is: our quotas come off in 2004, our apparel quotas. I think most of the people in the apparel industry expect China to be a very fierce competitor, so part of the reason we're trying to move on this, in a way, is to help create a more integrated Americas market in the apparel and textile industry, and, in our case, the cotton producers, so as to help the efficiency of the Americas vis-à-vis the rest of the world. It gives you a little sense of how those are connected. On your first part, it's a little tricky because we have a series of preference programs, which offer open tariffs, but some of those end, like the Andean one ended. But to give you one point of comparison, in the goods area, where we removed 65 percent of the imports, are MFN binding that cover 30 percent - you can get a substantial increase in that between the MFN zero binding we have today and what were willing to negotiate here. And in the agriculture area is a much closer number, and there the main message is everything is on the table.